

Building a Next Generation Regional Economy Strategy Development Overview

Prepared for:

South Central Kansas Region
Stakeholders

Presented by:

James Gollub





Regional Strategy Initiative

Sponsors and Team

Outside the box...across the region

Strategy Sponsors & Team

Sponsors

- City of Wichita
- Sedgwick County
- Wichita State University
- Chamber - Greater Wichita Economic Development Council (GWEDC)
- Wichita Downtown Development Corporation

Project Team

- Wichita State University
 - Center for Economic Development & Business Research (CEDBR)
 - Technology Transfer
- Chamber/GWEDC
- StartNet
 - James Gollub Associates (StarNet Affiliate)

Team Leaders

Paul Masson, Management

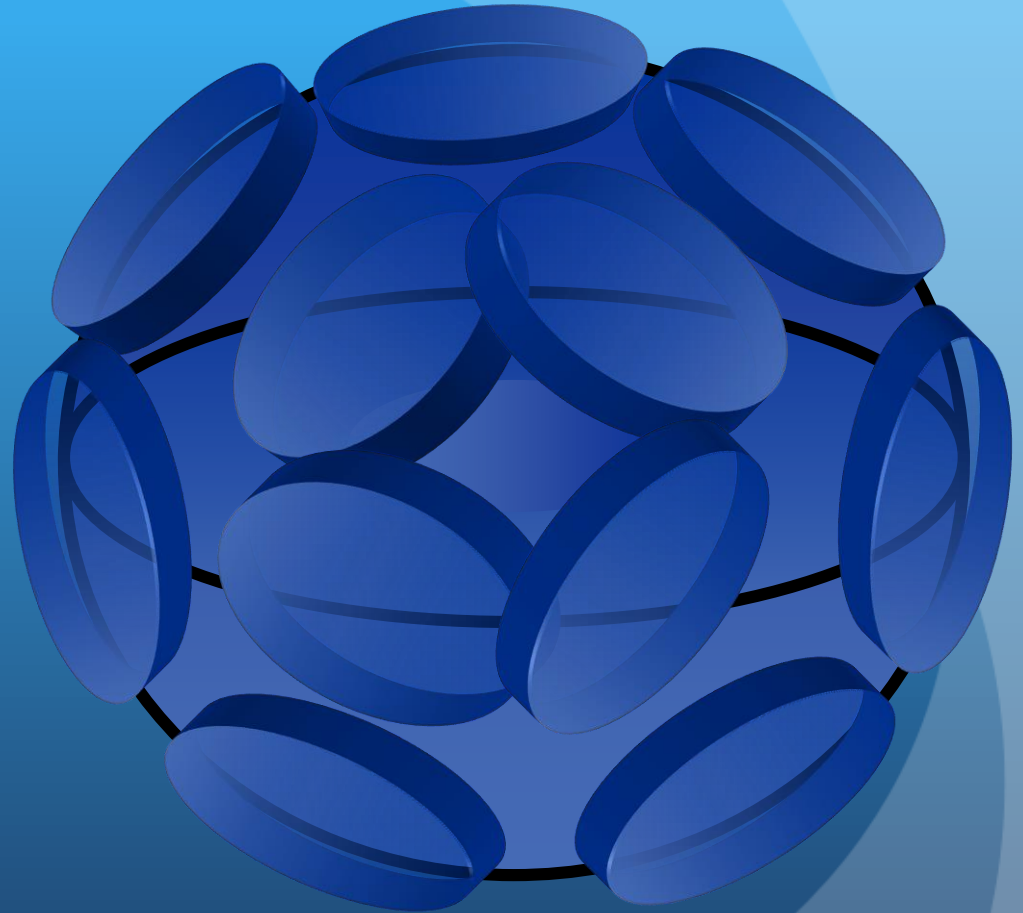
- Midwest native, family investments in Kansas
- 30 years experience in corporate finance, management consulting, start-up companies, technology transfer & innovation partnerships
- 20 years work with WSU in tech transfer, partnerships

Jim Gollub, Strategy Expert

- 38 years as economic strategy consultant
- A co-founder of field of cluster-based economic strategy
- Served over 30 regions globally from Austin to Silicon Valley to Bangalore
- Produced EDA guide on cluster-based strategy

Framework for a Next Generation Economy

Basic Lessons from
a World of Experience



Principles for Building a Next Generation Economy

1. Think Regionally

- Metropolitan regions drive the world economy

2. Focus on Clusters

- Your portfolio of innovation-driven Industry agglomerations shape and drive regional economic performance

3. Build Input Foundations

- Advantages in economic inputs enable formation, expansion and attraction of regional economic “engines”

4. Use Collaboration

- Working across jurisdictions, institutions and sectors enable building shared regional economic advantage



1. Think Regionally to Compete Globally

The world economy is driven by metropolitan regions

The national economy is the sum of our regions' performance

Cities

Metro Region

State & National

Global Linkages



South Central Kansas

Everyone is part of the economy

You cannot “outsource” economic development

Regions Do Learn & Change

- **Austin, TX (1983 & 1997)**
 - Chamber, city, University of Texas and surrounding communities built “Austin Opportunity Economy” and then “Austin Innovation Economy”.
- **San Antonio, TX (2000)**
 - City, chamber, University of Texas San Antonio, regional universities and surrounding communities created “San Antonio Technology Accelerator”
- **Albuquerque, NM (2001)**
 - City, Sandia National Labs, chambers, University of New Mexico, banks, utilities, launched “Next Gen Economy Initiative”
- **Baton Rouge, LA (2002)**
 - Chamber, City, multiple parishes, LSU, state collaborated in shaping the Capital Region Competitiveness Strategy (CRCS)
- **Calgary, AB (2003)**
 - City, development corporation, chamber and regional universities joined in c-Prosperity initiative
- **Okanagan Valley, BC (2004)**
 - Regional partnership of cities, university (UBC-O), and national labs for “Next Generation Economy Strategy”

Wichita Region Performance (1998-2011)

Illustrative Examples of Indicators

- 63rd in GDP per capita (\$38,586)
- 29th in labor force participate rate (84.12%)
- 15th in unemployment (5.78%)
- 87th in annual wage (\$36,146)
- 72nd in employment growth (total 455,894)
- 66th in poverty rate (up 49.70%)
- 17th in exports as percent of GDP (9.87%)
- Decline in establishments (-936) to 26,906

Source: EDA Cluster Map (381 MSAs)

Are You Thinking Regionally to Compete Globally?

- **It's a big world**
 - Tech firms look for cohesive partnership, not silos
- **Think many small solutions (not grand illusions)**
 - Great expectations require many down-to-earth actions
- **Focus on inclusiveness**
 - *Everyone* is a partner or “supplier” in the economy
- **Avoid jurisdictional battles**
 - Everyone wins in the region
- **Build up from the economy's assets**
 - Collaborate regionally to group resources

2. Clusters Drive Regional Performance

- Clusters are the “engines” in your economy
 - They export or “trade”, bringing revenue *into* the region to offset domestic trade imbalance
- Every region can have an economic “portfolio” of clusters
 - They typically account for about 25% of jobs...But their multiplier effects generate the rest
- Clusters are a “layer cake” of business relationships
 - Producers, suppliers, *and* economic institutions
- They grow from “innovation seeds”
 - Through enterprise formation, expansion and attraction



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Clusters: An Economic Layer Cake

Target Markets

International

Domestic

Local

Sole
Proprietorships

International
Headquarters

Branch Plant or
Division

Producers and Suppliers

Material & Equipment
Parts & Components

Design,
Engineering &
Production

Legal, Financial &
Real Estate

Marketing &
Distribution

Economic Input Institutions

Innovation

Workforce

Finance

Logistics

Resources

Governance

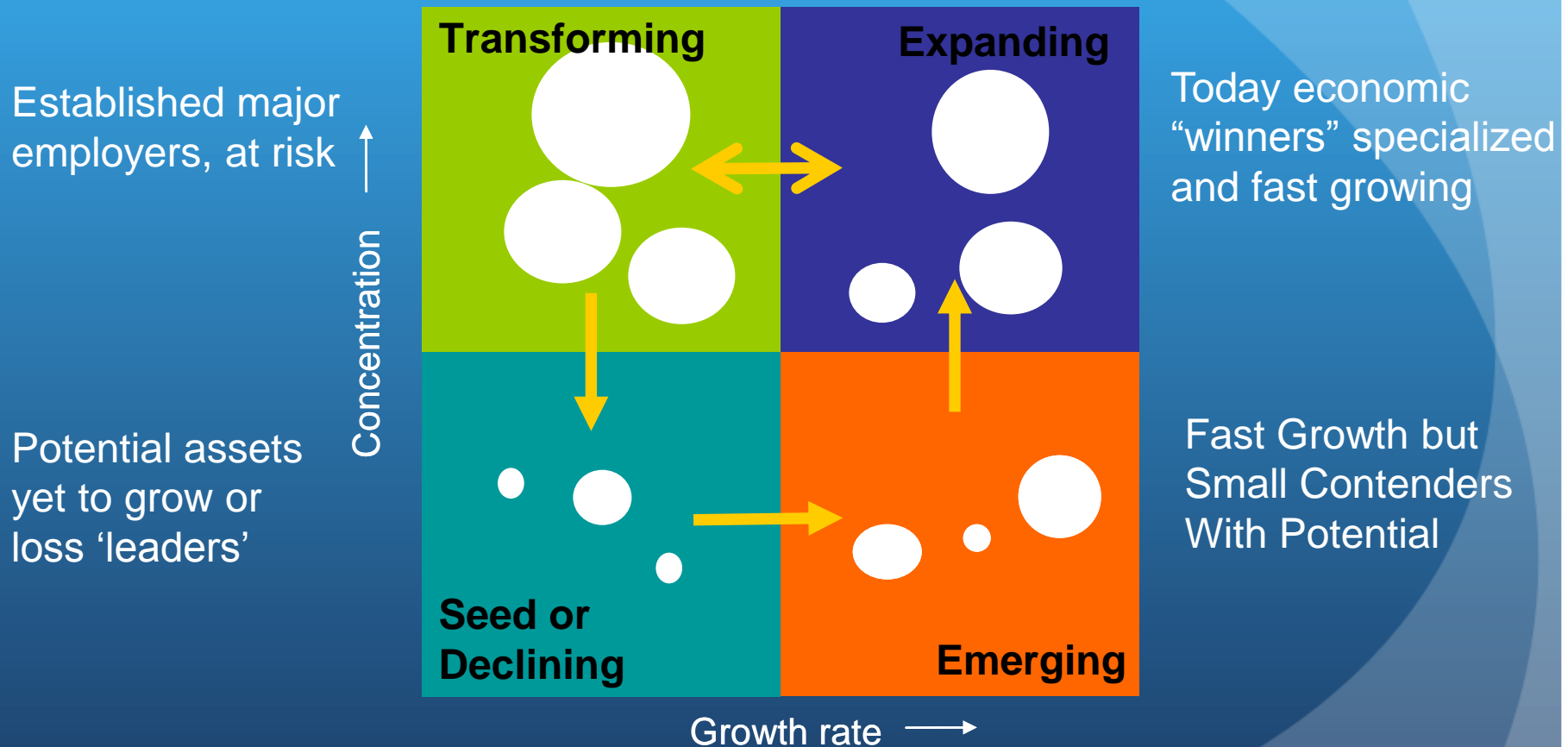
Quality
of Life

Wichita Region: Candidate Clusters (2012 jobs)

- Aerospace Vehicles & Defense: 28,191 (5th)
 - Distribution & Electronic Commerce: 18,312 (65th)
 - Business Services: 16,655 (84th)
 - **Livestock Processing: 14,565 (6th)**
 - **Oil & Gas Production & Transport: 11,734 (12th)**
 - Production Technology & Heavy Machinery: 10,675 (31st)
 - **Hospitality & Tourism: 7,573 (83rd)**
 - **Education & Knowledge Creation: 6,293 (78th)**
 - Plastics: 5,743 (36th)
 - **Financial Services: 5,521 (57th)**
 - **Transportation & Logistics: 5,123 (72nd)**
 - **Food Processing & Manufacturing: 4,969 (61st)**
 - Transportation & Logistics: 5,123 (72nd)
 - Construction Products & Services: 3,880 (60th)
 - Metalworking Technology: 2,604 (48th)
 - **Marketing, Design & Publishing: 2,415 (69th)**
 - Automotive: 2,285 (72nd)
 - Print Services: 2,019 (65th)
 - Insurance Services: (96th)
 - **Biopharmaceuticals: 1,770 (31st)**
 - Info Tech & Analytic Instruments: 1,735 (78th)
 - **Downstream Metal Products: 1,615 (76th)**
 - Furniture: 1,428 (58th)
 - Downstream Chemical Products: 1,355 (46th)
 - **Comm. Equip. & Services: 1,254 (73rd)**
 - **Agricultural Inputs & Services: 1,205 (29th)**
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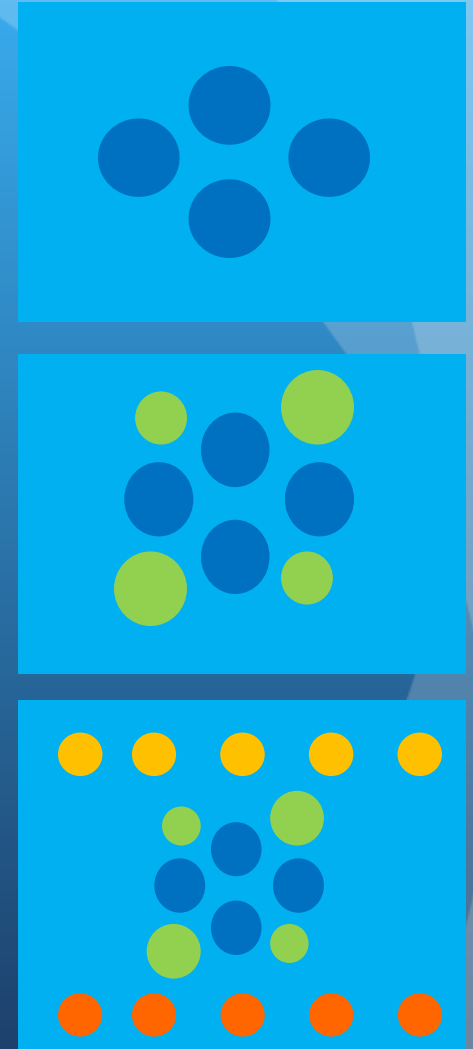
Understand the Cluster Lifecycle

A region's competitiveness challenge is to meet the needs of each cluster through stages of their lifecycle



Cluster Development Goals

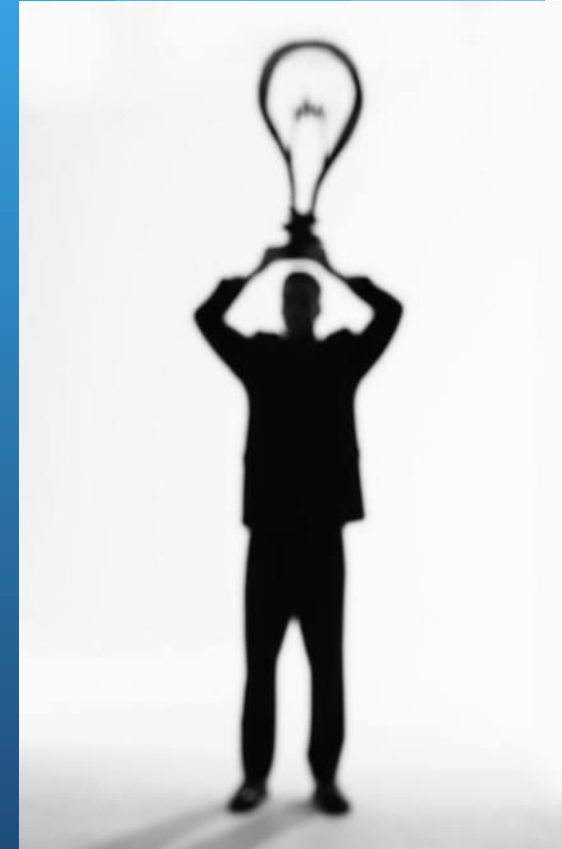
- **Enable Aggregation—Grouping**
 - Initial formation or attraction of multiple companies that serve related markets
- **Foster Synergy—Diversification**
 - Expansion and co-location of companies in *complementary* fields that expand emerging cluster growth in region
- **Achieve Leverage—Value-Chain Growth**
 - Capture and growth of *up-stream* or *down-stream* value-chain associated with primary services or export-driven activities



3. Create Advantages in Foundations

Strengthen the Eight Building Blocks

1. **Innovation:** Moving Knowledge to Market
 - Capacity to discover, develop, deploy
2. **Work Force:** Delivering Competencies
 - Prepare, advance and renew skills
3. **Finance:** Accessing Sources & Risk Management
 - Capital to launch, expand, and adapt
4. **Logistics:** Delivering the Goods
 - Transport, Communications, Transmission



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Create Advantages in Foundations (conc.)

5. **Resources:** Operating Systems

- Provide sustainable energy, water and waste management

6. **Marketing:** Connecting to Customers

- Generating new product ideas, distributing products in global markets, and building “brand”

7. **Governance:** Rules of the Game

- Show ‘return on taxation’, efficient regulation, responsive administration

8. **Quality of Life:** Caring for Our Assets

- Enable achievable home ownership, health care outcomes and recreational opportunity



Wichita Region Input Position (1998-2012)

Illustrative Examples of Indicators

- **Innovation**

- 29th in growth of patents per 10k employees
- 44th in total R&D expenditures per capita (\$724.99)
- 48th in employed science, engineering & health doctoral holders as percent of population
- 78th in venture capital (-34.16%)

- **Workforce**

- 19th in productivity per labor force participant
- 37th in total completing a bachelors degree or higher (16.35%)
- 27th in total science & engineering doctorates awarded (9,084)
- 62nd in percent of population receiving high school diploma or more (28.78%)

How Are Your Economic Inputs Performing for Regional Clusters?

- **Capacity**

- Does output of graduates, intellectual property, investments, infrastructure contribute to and support regional industry needs?

- **Competency**

- Do they generate unique capabilities that can enable and serve new and changing markets?

- **Responsiveness**

- Do they learn and specialize in requirements of each cluster and their different stakeholders?

Rethinking Cluster Logic

Traditional cluster strategy focuses solely on organizing cluster groups and their suppliers. It misses the mark.

Effective cluster strategy goes one step further to ensure that *economic institutions* are systematically connected to each cluster and their network of partners—whether emerging or established or to be attracted.

4. Collaborate to Compete

Markets are About Discovering Shared Values

■ **Business to Business**

- R&D consortia, alliances, buyer-supplier networks, shared services, joint ventures

■ **Business to Institution**

- Aligning provision of R&D, investment, training, logistics and marketing

■ **Institution to Institution**

- Joint R&D, provision and sharing of services, combining talent and facilities

■ **Market Intermediary to User**

- Aggregate demand across users (producers, providers, places and people) and mediate delivery to customers (financial pools and programs)



To form, expand & attract

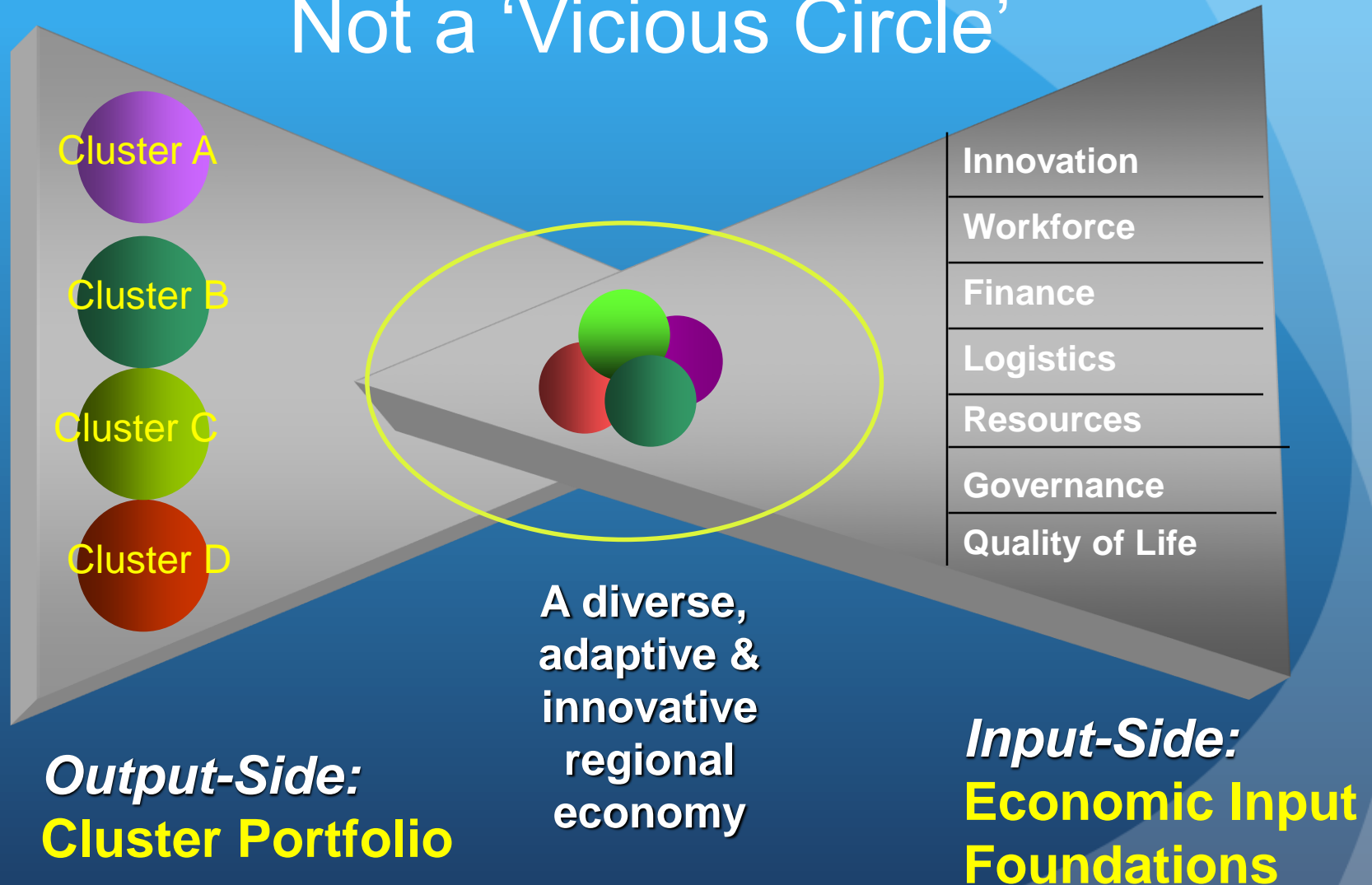
Collaboration is about Helping Markets Work

The Goal: Meaningful engagement across the region to change economic behavior...

- **Convene the Marketplace**
 - Bring together all levels of regional clusters—producers, suppliers, institutions
- **Engage Stakeholders**
 - Large and small firms, public and private organizations and agencies, all levels
- **Create Communities of Exchange**
 - Define collaborative actions for which participants are responsible for implementing—with real agreements, not plans

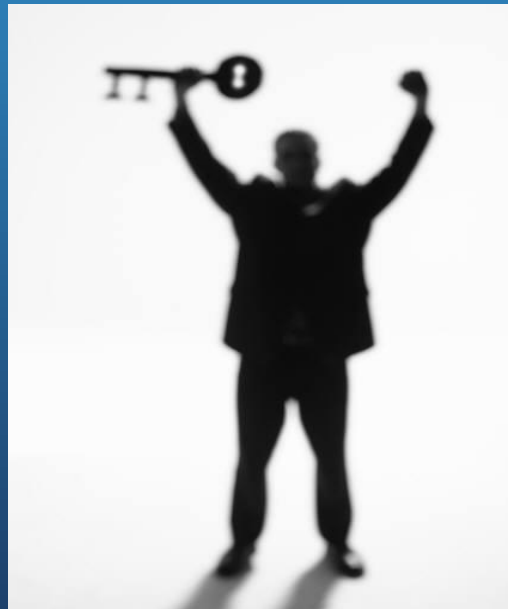


Outcome: A 'Vital Cycle' Not a 'Vicious Circle'



Applying Principles to Next Generation Economic Strategy

Five Key Steps



Key Strategy Steps to Next Generation Economy



Step 1. Mobilize—Engage the Region

Objective: Ensure readiness *and* capacity of key stakeholders in and across regions so that they can effectively engage in the collaborative cluster strategy process.

- Leadership and Community Briefings
- Prepare Region for Collaborative Process
- Form a “Stewardship” Group (servant leaders)
- Complete Schedule and Communications Plan
- First Regional Town Hall
- Establish Regional Collaborative Networks



Step 2. Analyze—Diagnose the Region

Objective: Establish a diagnostic baseline from which the collaborative regional strategy can build and track its progress.

■ Performance Outcomes

- Assess overall regional measures of prosperity, disparity, sustainability, quality of life

■ Economic Drivers

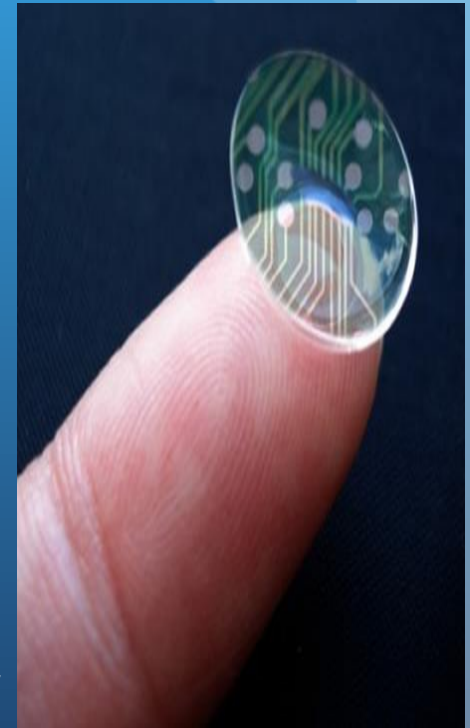
- Identify and comparatively analyze competitiveness of clusters at all stages of development

■ Economic Inputs

- Assess each micro-economic building block in terms of comparative capacity, competency and responsiveness

■ Deliver Findings—Engage Private & Public Sectors

- Complete diagnostic report integrating key elements
- Convene second regional hall. Stewards showcase regional story
- Publish diagnostic report on-line and through community channels



Step 3. Catalyze—Complete Cluster Strategies and Flagships

Objective: Develop bottom-up, market-driven, collaborative solutions to each cluster's competitive challenges *and* cross-cutting regional “Flagships” working through working groups that encompass each existing or potential layer of a cluster (producers, suppliers, input institutions).

- **Build & Manage Cluster Groups**
 - Co-chairs, supply-chain, and economic input providers
- **Round 1: Identify Shared Challenges** (in Each Cluster)
 - *Then* Stewards & Cluster Chairs Identify Cross-cutting Challenges
- **Round 2: Propose Collaborative Solutions** (in Each Cluster)
 - *Then* Stewards & Cluster Chairs Define Cross-cutting Actions
- **Round 3: Action Teams Develop Business Plans**
 - *Then* Stewards & Cluster Chairs Build “Flagship” Teams
- **Round 4: Validate Action Plans, Cluster Strategy**
 - Stewards & Cluster Chairs Finalize Strategy Elements



Result 1: Cluster-Specific Actions

Building Blocks for a Cluster Strategy

■ Innovation

- Pre-competitive R&D consortia, commercialization entities, cluster networks & innovation 'hubs'

■ Workforce

- Academies, training partnerships, mentoring & talent recruitment

■ Finance

- Deal readiness service, pre-seed funds-angel networks, local ventures leverage external capital

■ Logistics

- Third-party logistics, multimodal transport hubs, high bandwidth

■ Resources

- Shared energy (CHP), water recovery, waste treatment & conversion

■ Marketing

- Shared market research, partner-matching service

■ Governance

- Smart districts & zones, permit streamlining, funding packages

■ Quality of Life

- In-town housing, production & insurance finance pools, creative industry precincts

Result 2: Flagships

Crosscutting Initiatives

- **Legacy Initiatives—Fixing the Past**
 - Regional actions to solve an agreed upon problem that has long existed but lacked combined support—whether a policy change or investment in shared infrastructure.
- **Catalytic Initiatives—Opening the Future**
 - Regional partnerships to open new economic opportunities, such as an advanced manufacturing initiative or innovation zones

Workforce

Innovation

Governance

Finance

Logistics

Resources

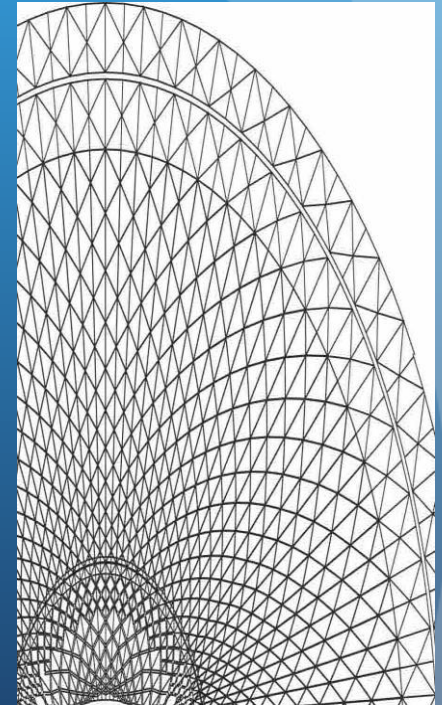
Marketing

Quality of
Life

Step 4. Realize—Build Implementation Mechanism and Launch Actions

Objective: Formalize a regional implementation partnership that will sustain implementation of individual cluster groups and their actions and concurrently launch cross-cutting flagships (micro-economic inputs)

- Stewards & Cluster Chairs Finalize Plans
- Design Implementation Mechanism (existing or lean new entity or network)
- Complete the Regional Cluster Competitiveness Strategy
- Third Regional Town Hall Launch Event
- Start Implementation: Fully Functional Regional Cluster Networks and Flagship Initiatives



What is a Regional Partnership?

Convenes Market for Shared Goals

■ Mission

- Priority focus on a high performing regional economy

■ Leadership

- Strong “stewardship” group to rally stakeholders

■ Membership

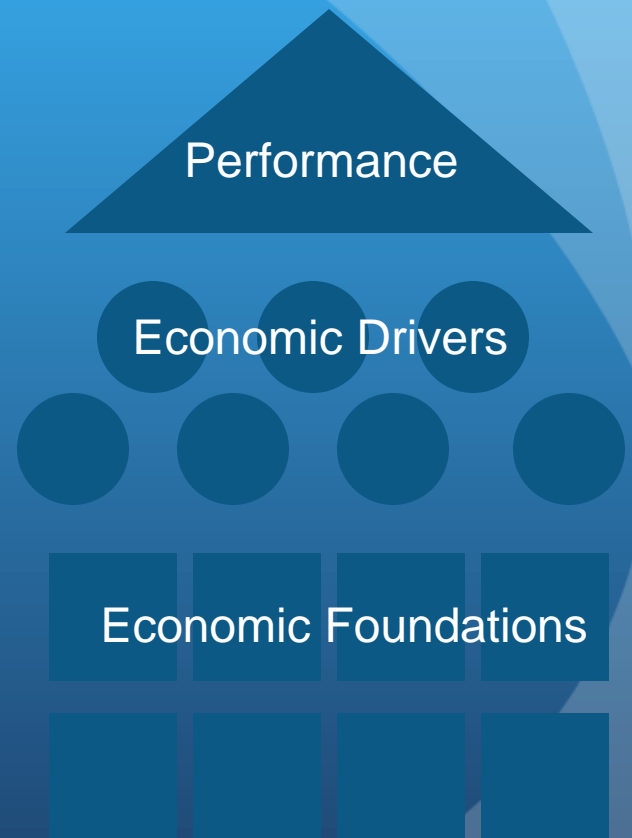
- Engages input & output sides of the region in *new* ways

■ Structure

- Organized to optimize demand-supply dynamics, leveraging resources & funds

■ Communications

- Provides channels for sustaining engagement



Step 5. Actualize— Ongoing Implementation of Solutions

Objective: Ongoing operation of regional competitiveness partnership to assist implementation of cluster actions, flagship initiatives and track progress



- **Quarterly Meetings**

- Prepare for and convene cluster delegates, economic input teams and stewards on quarterly basis to track progress, assist implementation, undertake collaborative continuous improvement activities.

- **Support Cluster Action Initiatives**

- Solicit, screen, award competitiveness matching grants (from public-private fund pool) where needed, mediate collaborative actions and track progress.

- **Launch Flagships Initiatives**

- Multi agency and “user” stakeholder teams complete business plans, leverage competitiveness fund matching grants, begin operation of each prioritized flagship.

- **Track Results**

- Quarterly and annual monitoring of process outcomes and economic impact outcomes on overall performance, on each cluster and on each economic input foundation.

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Building Bridges Along the Innovation Pipeline

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